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DEPARTMENT OF LABOR & ECONOMIC GROWTH
LANSING

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Analysis of Enrolled House Bills 6014 and 6016

Topic: Religious College Exemption
Sponsor: Representatives Elsenheimer and Palmer
Co-Sponsors: Representatives Mortimer, Taub, Hoogendyk, Hummel, Walker, Sheltrown, Emmons, Casperson, and Marleau
Committee: House Higher Education and Career Preparation
Senate Education

Date Introduced: April 27, 2006

Date Enrolled: September 19, 2006

Date of Analysis: September 18, 2006

Position: The Department of Labor & Economic Growth supports the bill.

Problem/Background: In late 2005 the Department of Labor & Economic Growth became aware of a religious college in Gaylord that had not been approved by the department, as required by the General Corporations Law. The department sent a cease and desist letter to the college. In early 2006 the department sat down with representatives of the college and several legislators, including Representative Elsenheimer and Senators Cropsey and Stamas. At that meeting it was agreed that the department would stay its proposed enforcement action until May and would prepare a letter to the college laying out their options for coming into compliance. For its part, the college agreed to provide the department with an analysis of religious college exemptions that reportedly exist in 25 other states. Ultimately, the college decided to pursue a legislative solution and bills were introduced in both the House and Senate. In deference to the pending legislation the department agreed to an additional stay in its enforcement action until late November, 2006.

Description of Bill: House Bill 6014 amends the General Corporations Act to create an exemption for certain religious colleges. In order to be eligible for an exemption, the religious college must be organized and operated by an ecclesiastical corporation created before January 1, 2007 and be located in a county with a population of more than 17,500 and fewer than 23,500 residents (Otsego County). In addition, the religious college must meet the following criteria:

- It must be organized and operated by an ecclesiastical corporation as a division of the corporation and may not be separately incorporated.
- It must have begun operating before January 1, 2007.

- The ecclesiastical corporation retains control of the religious college for denominational purposes.
- There must be an academic advisory board to assist the religious college in the development of its educational programs. The board is required to be appointed by the ecclesiastical corporation and consists of at least four individuals representing similar religious colleges located in the United States.
- The postsecondary educational programs are solely designed for, directed toward, and attended by students who seek to learn the particular religious faith or beliefs of the ecclesiastical corporation.
- The sole purposes of the educational programs are to prepare students for the clergy of a church, denomination, or religious association, order, or sect or to enter into other vocations directly related to the faith of the ecclesiastical corporation.
- The religious college may not offer general or liberal arts educational programs or any other postsecondary educational programs not described in the subsection stating the requirements for the exemption.

The ecclesiastical corporation operating an exempt college under the bill may use the word “college” in its name. However, it is required to clearly and prominently indicate on any signs, official publications, letterhead, business cards, etc. bearing the college name that the religious college is a division of the ecclesiastical corporations. A copy of each certificate of assumed name filed by the corporation with the Department of Labor & Economic Growth is required to be provided to the Bureau of Career Education. An exempt religious college may award degrees as specified in the bill. Degrees are required to contain a religious limitation immediately preceding or as part of the degree title and a disclosure that the religious college is not licensed, approved, or otherwise endorsed by the State of Michigan. A diploma from a religious college entitles the recipient to all the privileges and immunities that by custom or usage are allowed to holders of similar diplomas granted by similar institutions, except that the holder or recipient must comply with occupational or professional requirements established by law. State approval is not required for the ecclesiastical corporation to operate a college, but a disclaimer is required on application materials, course catalogs, brochures, web sites and other similar publications. The religious limitation on the degrees must also be included in publications.

The bill establishes certain requirements for exempt colleges. Every 2 years, the organizing ecclesiastical corporation is required to submit a sworn affidavit to the Department of Labor & Economic Growth that certifies compliance with the requirements related to the exemption. The affidavit is also required to include a statement that the religious college does not accept state or federal assistance for its educational programs and does not accept students who are receiving state or federal financial aid under any higher education loan, grant, or scholarship program. The ecclesiastical corporation is also required to annually provide the department with a surety bond providing indemnification to a student suffering loss as a result of the closing of the religious college. The amount of the bond is the greater of \$200 per student or \$5,000.

An ecclesiastical corporation operating a religious college in compliance with the requirements in the bill would be authorized to conduct business and offer postsecondary educational programs in Michigan.

House Bill 6016 amends the Unincorporated Education Institutions Act to refer to the exemption language in House Bill 6014 and clarify that such colleges are also exempt from licensure as unincorporated educational institutions.

Summary of Arguments

Pro: The bill is significantly improved over the bill that passed the House. In addition to maintaining the narrow focus of the House-passed bill, the enrolled bill contains stronger consumer protections, such as a surety bond to protect the financial investment of parents and students. Language requiring disclosure and notice of the religious nature of degrees granted by the exempt college are also much improved from the House bill.

The bill brings Michigan in line with 25 other states that have established exemptions for religious college. The exemption in Michigan is much narrower and there are more and stronger consumer protections than in the laws of other states.

Con: This bill weakens Michigan's higher education system by creating another class of degree. Although there may be only one school out there which qualifies for the exemption, the precedent has been established and the Legislature may see similar proposals from other institutions in the near future.

Although the degrees and transcripts of an exempt religious college will bear the appropriate modifiers and disclaimers, it would be very easy for potential employers to overlook the distinction between the religious education provided by religious colleges and a general liberal arts or scientific education.

Fiscal/Economic Impact

(a) Department

Budgetary: The bill will have no budgetary impact on the department.

Revenue: The bill will have no effect on department revenue.

Comments:

(b) State

Budgetary: The bill will have no budgetary impact on the state.

Revenue: The bill will have no effect on state revenue.

Comments:

(c) Local Government

Comments: There is no local government impact.

Other State Departments: The department worked closely with the Department of Education as these bills worked their way through the legislative process.

Any Other Pertinent Information: Another bill, House Bill 6015, amending the Proprietary Schools Act, was part of the original package, but this bill was dropped from the package.

Both the Private Colleges and the Association of University Presidents opposed the bills in committee.

Administrative Rules Impact: The bills will have no impact on administrative rules.